

Sustainability update

SBAB Bank AB (publ)
Q1 2021

SBAB!

SBAB's commitment to sustainability

SBAB's commitment to sustainability

- **2012:** Sustainability was fully integrated in SBAB's business plan & governance structure. We do not distinguish between business and sustainability objectives
- **2014:** SBAB underwent a comprehensive business transformation from full-service bank to focusing on housing and household finances (Sw. "Boende och boendekonomi")
- Aligned with the ownership policy from the Swedish government with extensive requirements on sustainability
- Three overall (business & sustainability) target areas for our operations represent our common approach and contribution to sustainable societal development:
 - **Responsibility & transparency**
 - **Attractive workplace**
 - **Sound finances**

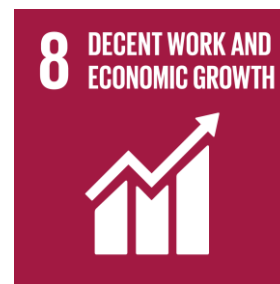


SBAB prioritises four SDGs

The private sector, including SBAB, has an important role to play in achieving the SDGs within the 2030 Agenda. We selected four of the 17 SDGs based on their importance and relevance to our operations. The prioritised SDGs were chosen as a result of an extensive analysis consisting of internal workshops and ranking exercises conducted by operations, the Executive Management and the Board. Today, these prioritized SDGs are integrated into our sustainable governance model.

SBAB's Sustainability Highlights 2020

- SBAB has set a carbon emissions reduction target (15% reduction) by 2025. Decided on climate compensating (carbon offset) every year for 100% of our measured emissions, making us a Net Zero financial actor
- Updated our supplier code to be more stringent, encompass additional sustainability areas and have clear consequences for non-compliance, as well as mechanisms for increased monitoring of our supply chain
- Became signatories of the Principles for Responsible Banking
- Completed an analysis of how future climate could impact our total portfolio based on increased seawater level (RCP8.5) and / or "100-year flows" (*Sw. 100-årsflöden*) in Swedish watercourses



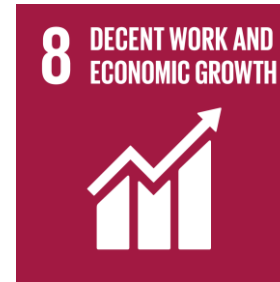
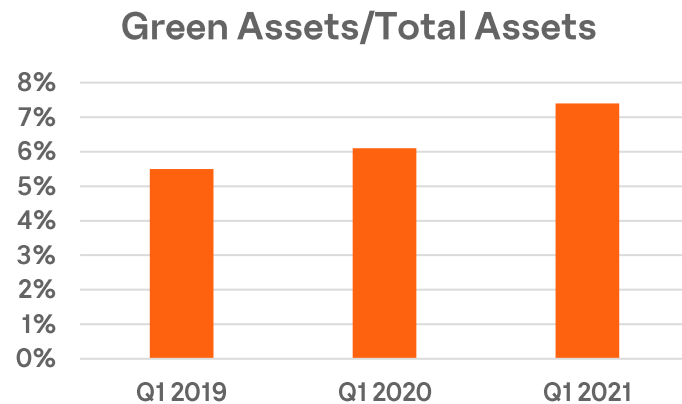
SBAB's materiality analysis 2020



A new materiality assessment was conducted in line with GRI guidelines. This included a new stakeholder dialogue comprising interviews and surveys of key stakeholders such as Board members, Executive Management, business partners, investors, employees and customers. In addition, a new analysis determined relevant sustainability risks, trends and legislation to identify the areas where SBAB has greatest impact. Based on the stakeholder dialog and analysis, the Executive Management and Board updated SBAB's material sustainability topics and kickstarted a new strategic prioritization of our sustainability work and goals.

SBAB's Sustainability work for 2021

- Expand the reporting and implementation of TCFD recommendations
- Interpret and adapt EU-taxonomy regulations
- Develop methodology and begin calculating scope 3 emissions from total lending portfolio
- Report on Impact Analysis and self assessment according to Principles for Responsible Banking



SBAB's strategic sustainability goals 2021



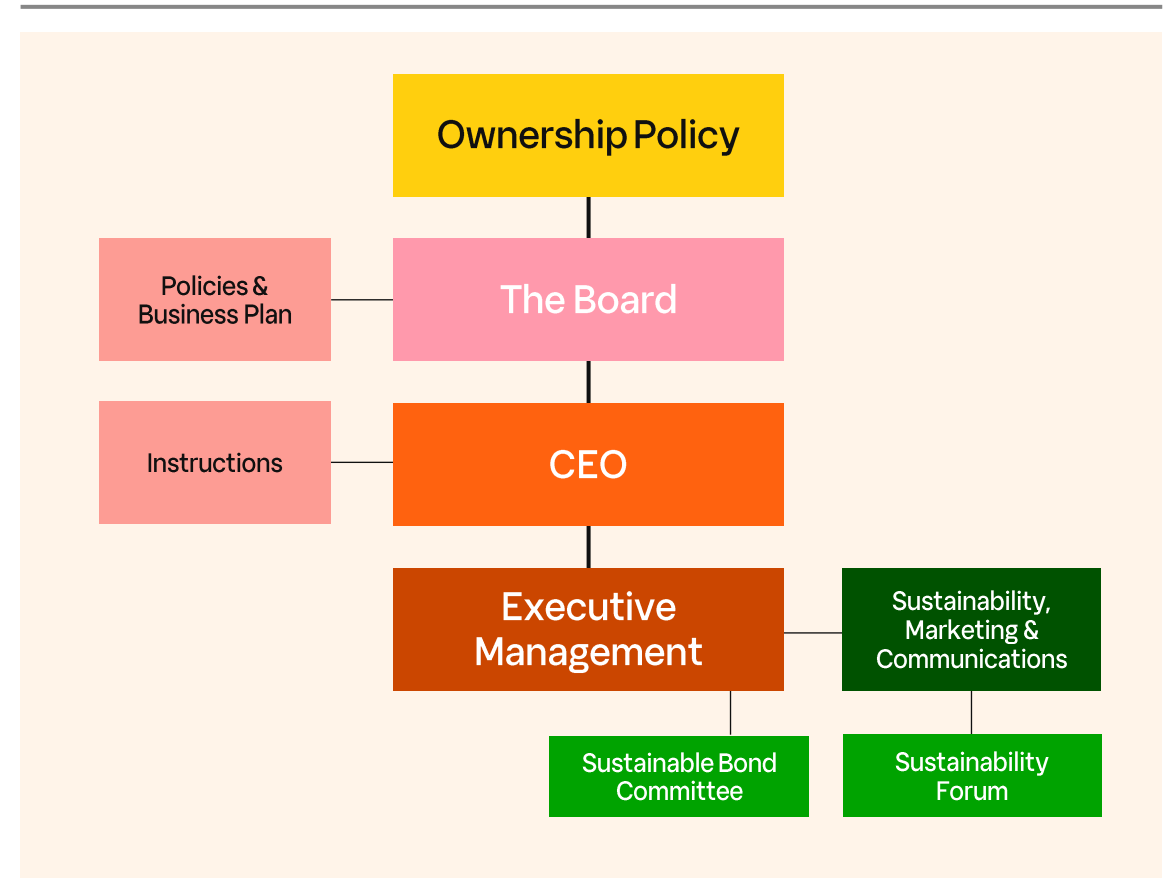
The latest materiality assessment is the basis for our new strategic prioritization of our sustainability work and goals. Our new goals will focus on a 2025 perspective and be guiding us in our ambitious and persistent integration of sustainability into our business, that we have done since 2012.

Governance structure

SBAB's sustainable governance model



Governance structure

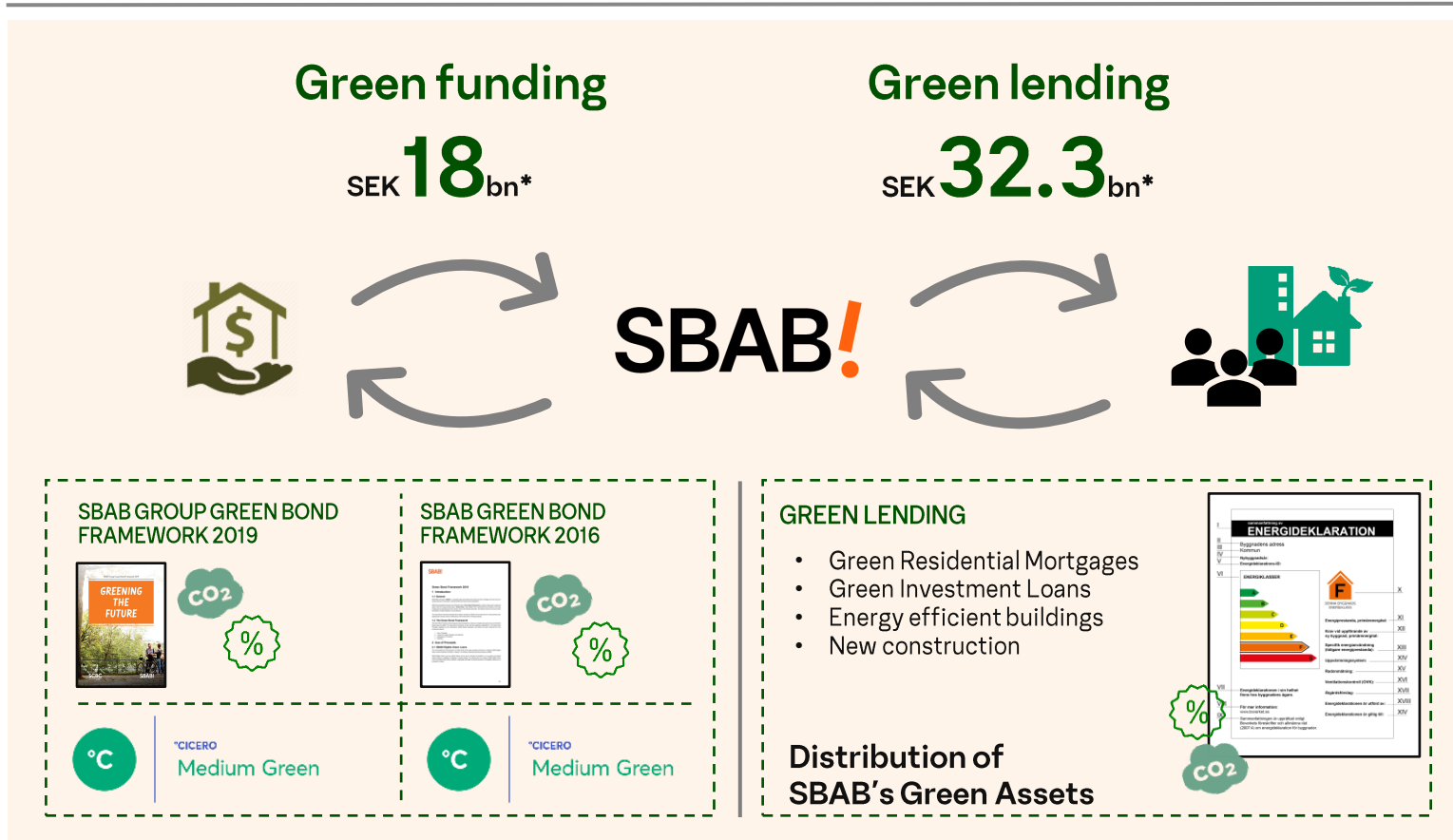


INSIGHT: Green lending & funding



Linking green lending to green funding

Rationale behind green efforts



- **Green lending:** Stimulate demand for energy efficient housing as well as creating opportunities and incentives (e.g. by offering discounted loans and other services) for customers to invest and implement energy improvement measures in their homes and properties
- **Green funding:** Offer investors the opportunity to actively participate in the sustainable transition of the Swedish housing and real estate market

*Estimate as of 31 March 2020



Sustainability ratings

MSCI

AA

MSCI has issued a rating of AA (on a scale of CCC to AAA) to SBAB. SBAB scores significantly higher than industry averages for governance, consumer financial protection, privacy & data security and financing environmental impact.

As of January, 2021 SBAB has been upgraded from A to AA, where only 2% of MSCI constituents have a rating of AAA

"SBAB Bank has established strong programs for protecting the rights and interests of its customers."

(Latest update in January, 2021)

Imug

Positive BB

Imug Beratungsgesellschaft has issued a sustainability rating of positive BB (on a scale of AAA to DDD) to SBAB. SBAB ranks number 5 of 41 in its peer group (banks) and 22 of 121 in the region

(Latest update in March 2020)

Sustainalytics

Low Risk

According to the ESG report from Sustainalytics, SBAB is at low risk of experiencing material financial impacts from ESG factors. SBAB ranks as having the 4th lowest risk out of 418 regional banks

"The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. The company is not publicly held, which reduces its corporate governance risk compared to its peers. Its management has not resulted in significant controversies for the company and ultimately the company's favorable risk assessment is due to its low exposure to ESG issues."

(Latest update in September 2020)

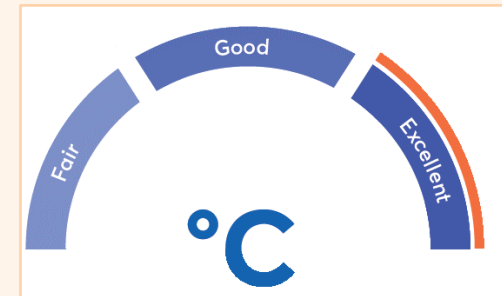
Overview of SBAB Group Green Bond Framework 2019

SBAB Group Green Bond Framework 2019



Cicero: “Overall, the SBAB Green Bond Framework provides **a detailed and sound framework for climate-friendly investments.** The Green Bond Framework lists eligible projects that are supportive of the objective of promoting a transition to low-carbon and climate-resilient growth and is **supported by a strong governance structure.**”

“Based on an overall assessment of the activities that will be financed by the green bonds, SBAB’s Green Bond Framework gets the **Medium Green shading.**”

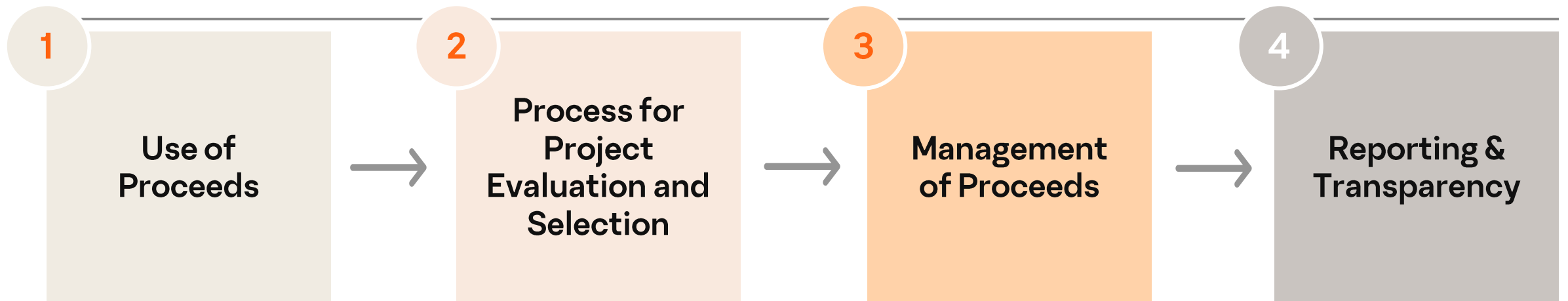


Cicero: “The overall assessment of the governance structure of SBAB gives it a **rating of Excellent.** The high score is mainly an acknowledgement of the issuer’s **detailed plans for the selection and reporting aspects of green bond eligible projects.**”



Overview of framework

- The Green Bond Framework (available at sbab.se) enables (i) SBAB to issue notes in the form of green bonds under SBAB's Euro Medium Term Note Programme and (ii) SCBC to issue covered bonds in the form of green bonds under SCBC's Euro Medium Term Covered Note
- The framework is built upon the guidelines established by "The Green Bond Principles 2018" published by the International Capital Market Association (ICMA)
- Second opinion provided by CICERO achieving a **Medium Green** rating as well as an **Excellent** governance score



1 Use of Proceeds (Retail)

Residential mortgages (Sw. bolån)

1

Energy efficient buildings

EPC = A, B or C
(before Jan 2014)

EPC = A or B
(after Jan 2014)

SBAB Green Residential Mortgages

ENERGY CLASS **A**: 10 bps
ENERGY CLASS **B**: 10 bps
ENERGY CLASS **C**: 5 bps

Properties (Sw. fastigheter) owned by one or more individuals where the building on such property

- I. has obtained an EPC with **energy class A or B** (where the construction was initiated **on or after 1 January 2014**);
- II. has obtained an EPC with **energy class A, B or C** (where the construction was initiated **before 1 January 2014**); or
- III. has an **energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above**

Residential mortgages and/or consumer loans (Sw. privatlån)

2

Reduction of energy usage

Final energy use per sq.m. & year reduced by 30%

Buildings where the final energy use per sq.m. & year on the property has been **reduced by at least 30%**, as evidenced e.g. by a new EPC



Use of Proceeds (Corporates & ToA)

Corporate loans

3

Energy efficient and green buildings; new constructions and major renovations



New constructions, including rehabilitations or major renovations, of one or more residential or commercial buildings where the project plan specifies that the intention is either to obtain at least one of the below certifications or to construct/renovate the building according to such certification methods

- (i) **EPC with energy class A or B;**
- (ii) **Miljöbyggnad, (minimum certification "silver")**
- (iii) **Svanen (Eng. Nordic Swan);**
- (iv) **Passivhus (Eng. Passive House); or**
- (v) **Green Building**

A building is deemed to be a new construction during the planning phase, the construction or renovation phase (as applicable) and until an EPC has been obtained ("Completion")

Corporate loans & Loans to tenant-owners' associations (Sw. bostadsrättsförening)

4

Energy efficient buildings
(existing buildings)

EPC = A or B
(after Jan 2014)

EPC = A, B or C
(before Jan 2014)

Properties owned by an entity (including a tenant-owner association) where the residential or commercial building on such property

- I. has obtained an **EPC with energy class A or B** (where the **construction was initiated on or after 1 January 2014**);
- II. has obtained an **EPC with energy class A, B or C** (where the **construction was initiated before 1 January 2014**); or
- III. has an **energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above** (as applicable)



1

Use of Proceeds (Corporates & ToA)

Corporate loans & Loans to tenant-owners' associations (Sw. bostadsrättsförening)

5

Reduction of energy usage

Final energy use per sq.m. & year reduced by 30%

Buildings where the final energy use per sq.m. & year on the property has been reduced by at least 30%, as evidenced e.g. by a new EPC

SBAB Green Loans to tenant-owners' associations and corporates

6

Energy efficiency and other green investments



Activities in buildings where the project plan specifies that the intention is either to **reduce the energy use in such building (e.g. new heat source) or to have an environment enhancing impact (e.g. removal of certain materials such as PCBs) and has qualified to be an SBAB Group Green Loan (Sw. Gröna Lån)** in accordance with the terms set out from time to time on:
https://www.sbab.se/1/foretag__bostadsrattsforeningar/lana/lan_hos_sbab/grona_lan.html



INSIGHT: Impact reporting 2020

Outstanding Green Bonds

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
SBAB	16 June, 2016	SEK 1.0bn	Senior	23 June, 2021	1.048%	XS1436518606	SBAB Green Bond Framework 2016
		SEK 1.0bn	Unsecured	23 June, 2021	3M Stibor +95 bps	XS1436728916	SBAB Green Bond Framework 2016
SBAB	4 October, 2017	SEK 1.0bn	Senior	11 October, 2022	0.98%	XS1697577556	SBAB Green Bond Framework 2016
		SEK 750mn	Unsecured	11 October, 2022	3M Stibor +75 bps	XS1697766951	SBAB Green Bond Framework 2016
SCBC	23 January, 2019	SEK 6.0bn	Covered bond	28 March, 2024	0.75%	XS1943443769	SBAB Group Green Bond Framework 2019
SBAB	13 June, 2019	SEK 2.25bn	Senior	06 June, 2024	3M Stibor +90 bps	XS2015229516	SBAB Group Green Bond Framework 2019
		SEK 0.75bn	Non-Preferred	06 June, 2024	1.0%	XS2015229862	SBAB Group Green Bond Framework 2019
SBAB	6 May, 2020	EUR 500 mn (equiv SEK 5.3 bn)	Senior Unsecured	13 May, 2025	0.50%	XS2173114542	SBAB Group Green Bond Framework 2019
Total		SEK18.05 bn					

Green Bond Framework 2016

Eligible Green Loans

SEK 4.35 billion

Expected annual avoidance of GHG emissions

624 tCO₂e

Expected annual avoidance of GHG emissions per committed/disbursed SEK 1 million

0.14 tCO₂e

Green Bond Framework 2019

Eligible Green Loans

SEK 27.15 billion

Expected annual avoidance of GHG emissions

10 980 tCO₂e

Expected annual avoidance of GHG emissions per disbursed SEK 1 million

0.40 tCO₂e

Green Bonds Impact Report 2020

Greening the future



SBAB!

SBAB Bank AB (publ)

SCBC!

Covered bonds of SBAB

AB Sveriges S kerst llda Obligationer (publ)
(Swedish Covered Bond Corporation – SCBC)

Dedicated green bond issuer



Outstanding Green Bonds

Issuer	Issue date	Amount issued	Format	Maturity	Coupon	ISIN	Framework
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Total		SEK 18.05 bn					



Thank you!



SBAB!

Appendix

Appendix I

SBAB's commitment to sustainability



INSIGHT: Climate risk analysis



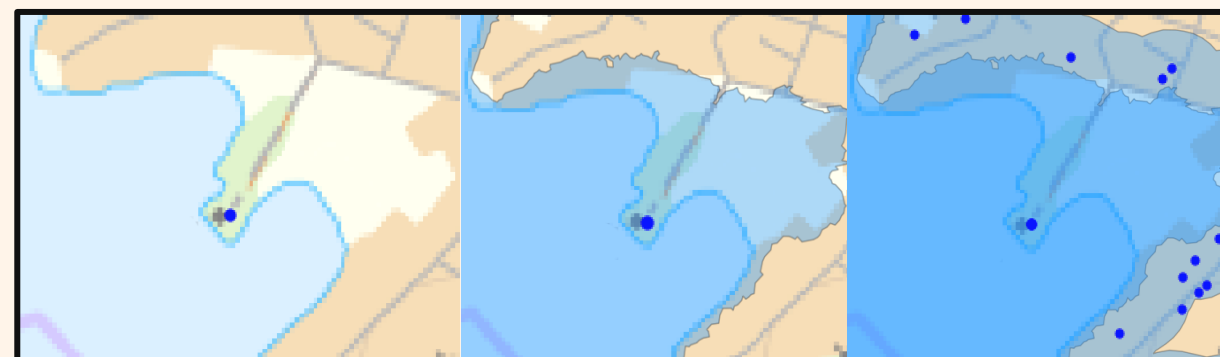
– Initial climate risk analysis of SBAB’s mortgage portfolio based on RCP8.5 (SMHI) & “100-årsflöden” (MSB)

Comments

- In 2019, SBAB completed an initial analysis of how the future climate could impact the mortgage portfolio based on RCP8.5 (SMHI) & “100-årsflöden” (MSB). The analysis indicates that rises in sea levels and the risk of flooding have limited impact on SBAB’s portfolio
- **Scenario 1:** Stressed scenario of collateral affected by increased seawater level (RCP8.5) and / or “100-year flows” (Sw. 100-årsflöden”) in Swedish watercourses
- **Scenario 2:** Stressed scenario described above +100 meters buffer
- **Result:** Small proportion of SBAB’s portfolio in risk zones



Aerial photo



Current

Stressed scenario

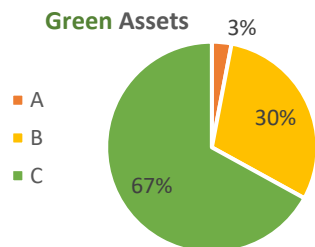
Stressed scenario + buffert



Together for the climate

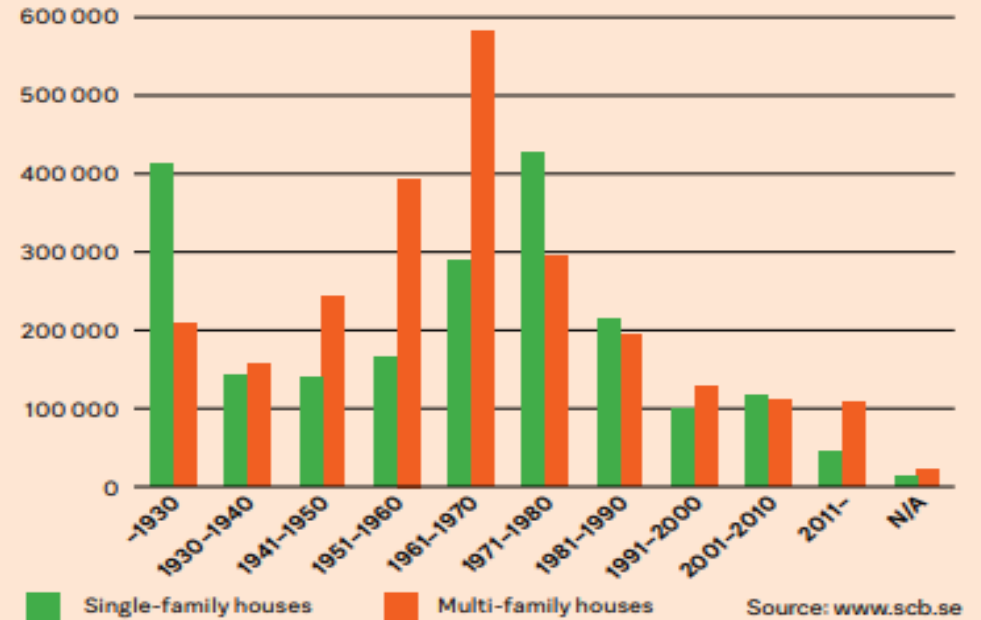
- Homes account for a large proportion of the total energy consumption in Sweden. Many of them do not meet prevailing energy consumption requirements
- Building new homes accounts for a large share of Sweden's direct greenhouse gas emissions
- Through "Green mortgages" we inspire our retail customers to make climate-smart choices. Since 2018 we have offered our Green Mortgages to customers who live in single-family homes or apartments in multi-family dwellings that have a valid energy performance certificate with energy class A, B or C, that is, in line with or above the energy consumption requirements placed on new builds in Sweden. The better the energy class, the greater the reduction to the mortgage rate
- At the end of 2020, 11,310 customers had a green mortgage with SBAB, the equivalent of a mortgage volume of SEK 26.5 billion or around **8.6%** of SBAB's total residential mortgage stock

Energyclass distribution of SBAB:s

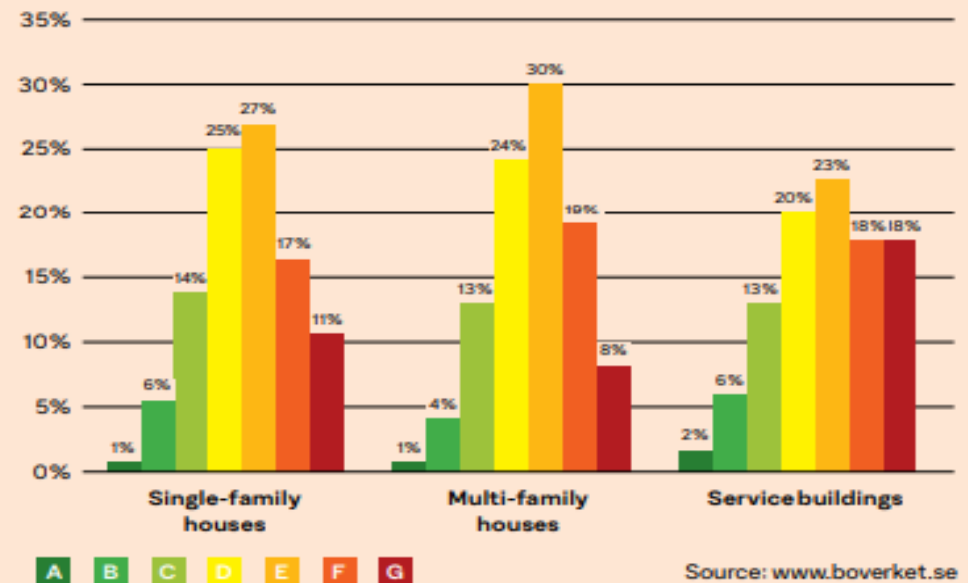


A: ≤ 50% of the requirement for a new building
B: > 50 - ≤ 75% of the requirement for a new building
C: > 75 - ≤ 100% of the requirement for a new building

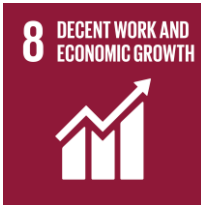
Number of homes by type of housing and building period



Distribution of energy classes (A to G) by type of housing



Guided by the Sustainable Development goals



How we contribute to a more sustained, Inclusive and sustainable growth, full and productive employment and decent work for all

- Job opportunities that help strengthen Sweden's GDP
- Ethical and labour requirements for our suppliers
- Actively working for a more inclusive workplace through increased respect and equality, such as through the Respekttrappan.se tool
- Proactively working to prevent non-objective salary differences and salary discrimination
- Spreading and increasing knowledge about issues pertaining to housing quality and household finances to strengthen the position of consumers in the market
- Working to ensure access to our customer offering for people with disabilities



How we make cities and human settlements more inclusive, safe, resilient and sustainable

- Financing the production of properties where they are needed, such as energy-efficient residential properties and new construction of sustainable residential neighborhoods. Our financing and credit granting enables us to influence the housing market through requirements, terms and dialogue with the aim of reducing energy consumption and our carbon footprint
- Cooperating with partners to reduce exclusion in the housing market
- Conducting industry collaboration to counteract and reduce tax avoidance in the construction industry and to ensure acceptable labor conditions for those working on the new construction projects that SBAB is part of financing
- Offering green loans and loans for green environmental and energy measures in homes and properties
- Educating and motivating our customers to buy and invest in measures to increase energy efficiency



Some examples of how we ensure sustainable consumption and production patterns

- Providing know-how and education to our customers and the public to enable everyone to take wise decisions about housing and the residential mortgage market.
- Offering tools, services and information that help and inform our consumers on issues regarding housing and household finances.



Some examples of how we take actions to combat climate change and its impact

- Offering green loans and mortgages for green environmental and energy measures in homes and properties
- Offering green bonds for financing in the capital market.
- Structured work to reduce our own carbon emissions from operations
- Completed and regularly updating analysis of how future climate could impact our total portfolio based on increased seawater level (RCP8.5) and / or "100-year flows" (*Sw. 100-årsflöden*) in Swedish watercourses
- Including sustainability criteria in the credit granting process property loans as part of the overall assessment
- Offering consultations to property companies and tenant-owners' associations about how residential properties can be more energy-efficient

A truly sustainable strategy

Materiality assessment

Gap analysis

Analyses basis for strategic direction & prioritisation

Based on demands from our operating environment, materiality assessment and continuously ongoing stakeholder dialogues, SBAB as established three (commercial & sustainable) target areas that form the basis of a common approach to SBAB's contribution to sustainable societal development. Based on our materiality analysis, we make regular updates of our strategic sustainability work ("gap analysis") where we identify challenges and/or possibilities within our three target areas and set long term goals. The gap analysis constitutes an important tool for governance, follow-up & prioritisation in daily operations

Responsibility and transparency

- Responsible & transparent offering
- Our business is based on trust

- Together for the climate
- Inclusive housing market

Attractive workplace

- Corporate culture
- Leadership
- Respect & equality
- Attract & recruit

- Learning & development
- Health
- Remuneration

Sound finances

- Sustainable growth & funding
- Cost efficiency
- Capitalisation

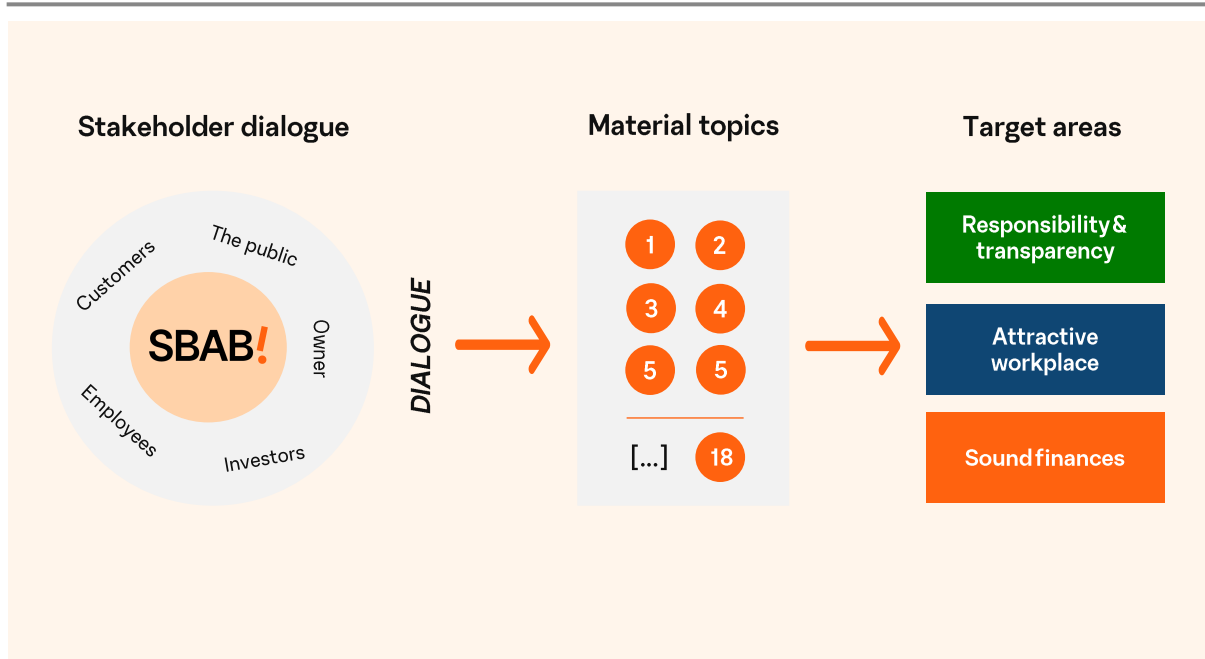
- Dividend
- Profitability



Process for defining target areas

– Materiality assessment basis for defining strategy, goals & target areas

Overview of process for defining SBAB's target areas



Materiality assessment

- Latest materiality assessment completed in 2020
- Interviews & online survey with prioritized stakeholders (e.g. Board members, Executive Management, employees, owner, retail customers, corporate clients, business partners & NGOs)
- With input from the above, together with secondary sources, such as employee and brand surveys, internal exercises were carried out with representatives from operations and Executive Management in order to agree on SBAB's material sustainability topics (a total of 14 topics identified)

SBAB's target areas

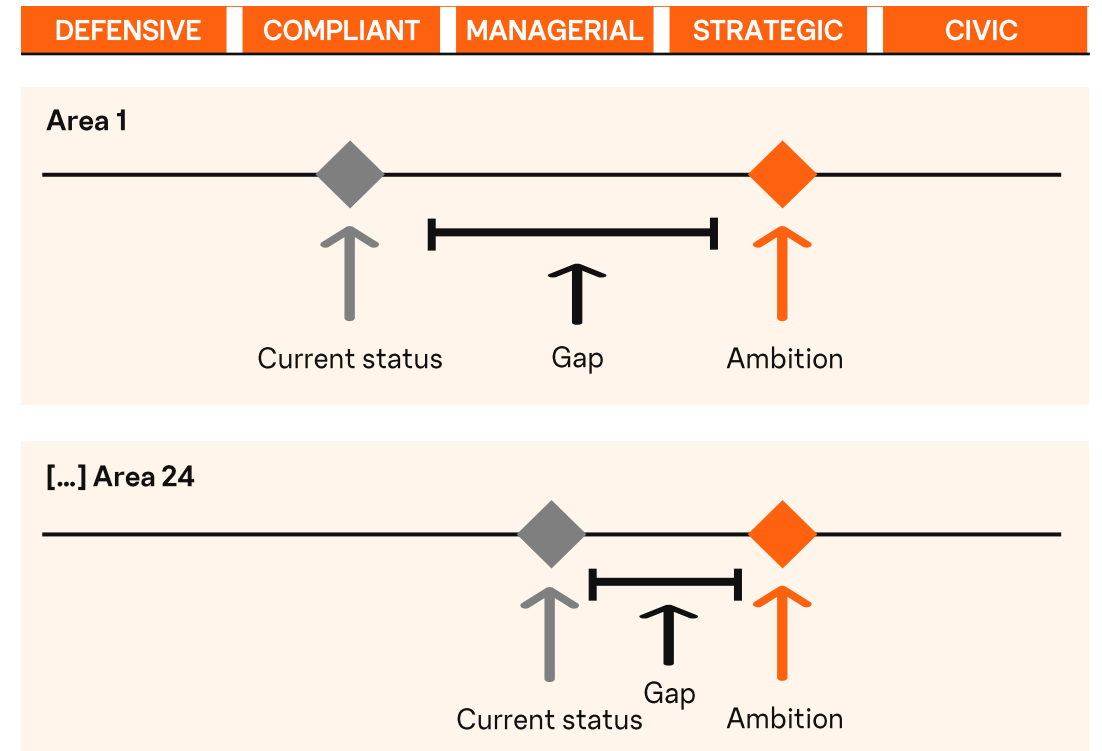
- Based on the materiality assessment, as well as demands from our operating environment and continuously ongoing stakeholder dialogues, SBAB has established three overall commercial and sustainable target areas for the operations: Responsibility and transparency; Attractive workplace; and Sound finances



Gap analysis

– Tool for addressing sustainability challenges and/or opportunities within SBAB's three target areas

- The sustainability analysis ("gap analysis") is identifying challenges and/or possibilities within our three target areas
- In the analysis, 24 areas are identified within which SBAB faces challenges and/or possibilities of varying scope
- The analysis include the current status and ambition level for each identified area, together with an action plan
- The Executive Management and the Board are following the progress and are deeply involved. The gap analysis constitutes an important tool for our governance, follow-up & prioritisation in daily operations



Guidelines and obligations

Guidelines & obligations

- **State's ownership policy**

- SBAB follows the state's ownership policy and guidelines for state-owned enterprises 2020, which also encompasses the Guidelines for external reporting in state-owned enterprises and Guidelines for remuneration and other terms of employment for senior executives in state-owned enterprises

- **SBAB's policies, instructions and directions**

- Each year, SBAB's Board of Directors adopts a number of policies and instructions at the statutory Board meeting. These are an important part of the internal governance and help the company to promote sustainable business and to create a consensus on company-wide issues and areas

- **SBAB's Code of Conduct**

- **UN Global Compact, Communication on Progress (COP)**

- **UN 2030 Agenda and Sustainable Development Goals (SDGs)**

- **Sweden's environmental objectives**

- **The Paris agreement and the EU action plan for financing sustainable growth**

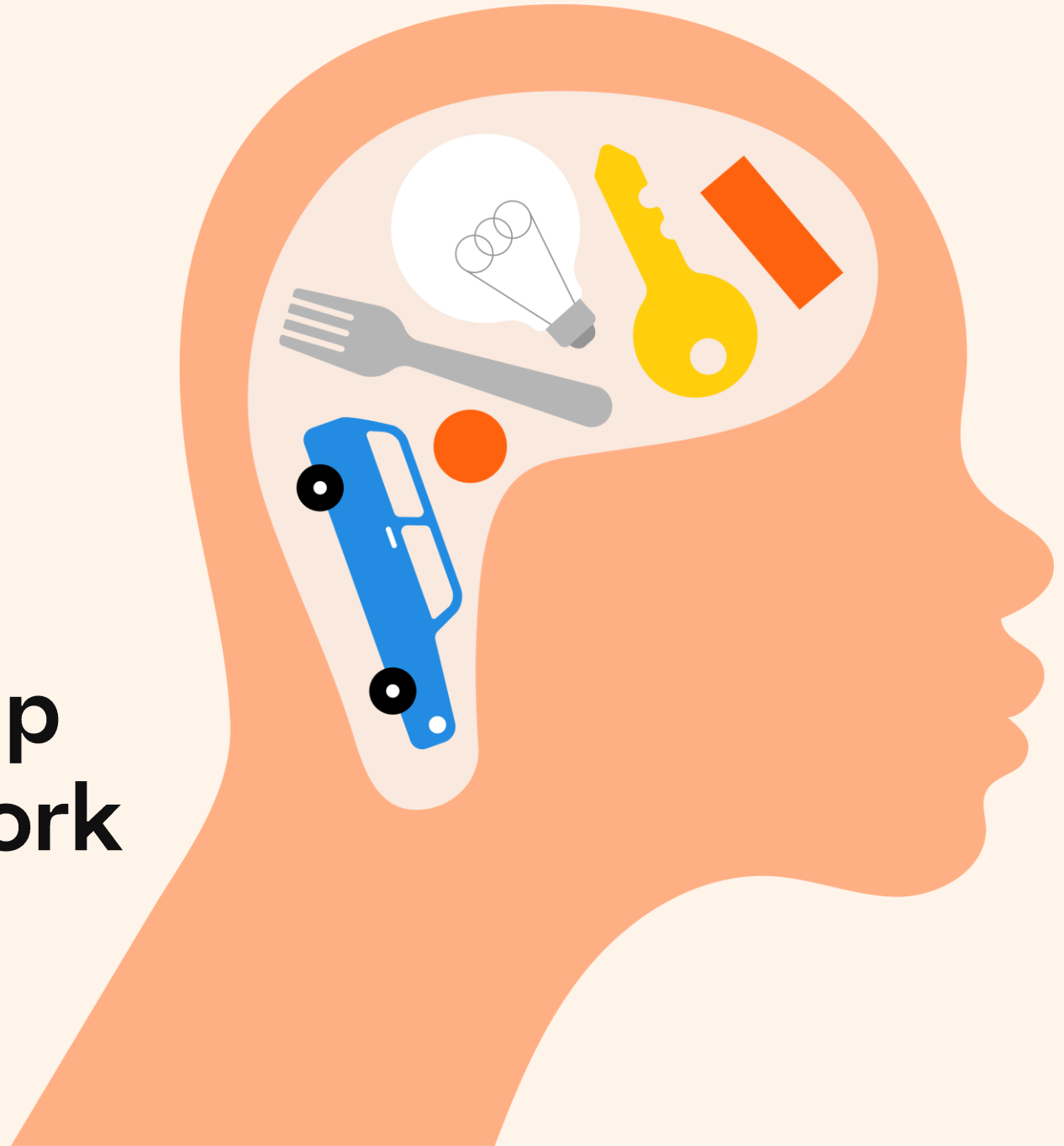
- **UNEP FI – Principles for Responsible Banking**

- **SBAB has started to review the possibility of joining the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD)**



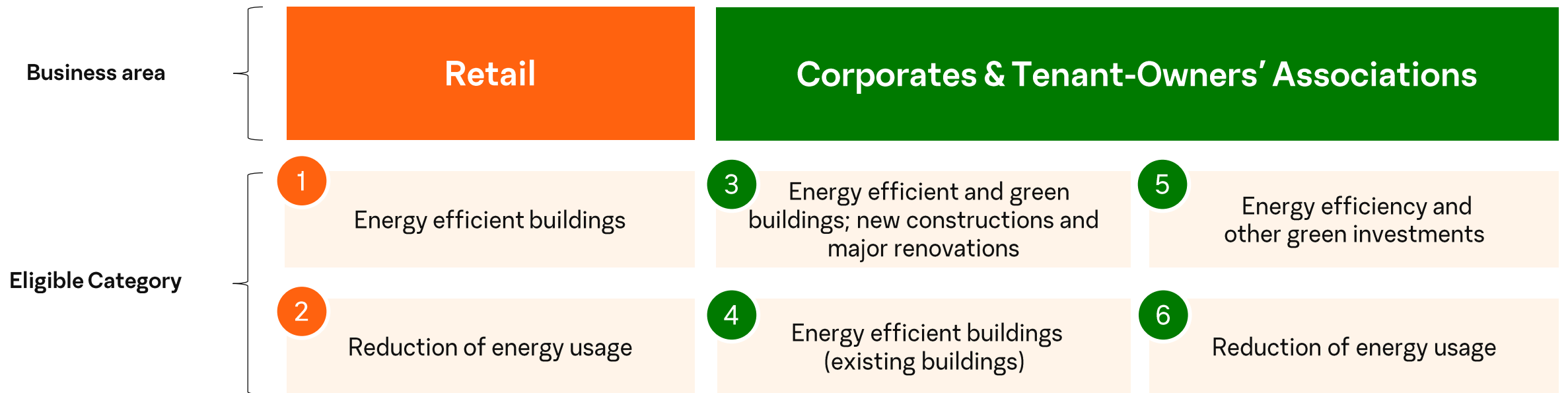
Appendix II

Overview SBAB Group Green Bond Framework 2019



1 Use of Proceeds

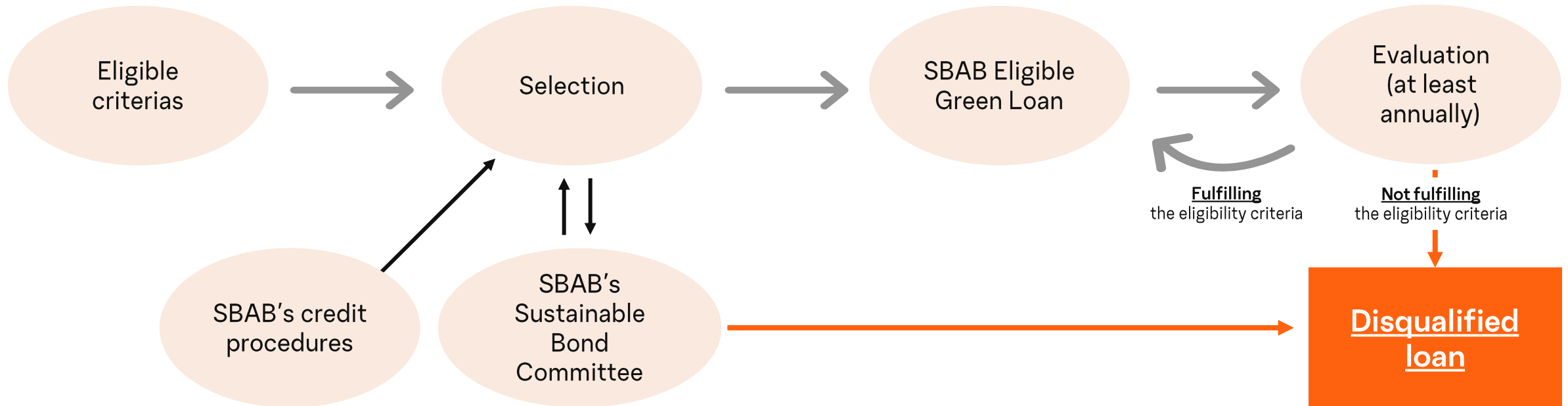
- A loan will become an eligible loan if it is used to finance or refinance a project which fulfils one of the below criteria. Each Eligible Green Loan (other than a consumer loan) is primarily secured either by mortgages (Sw. pantbrev) pledged in favour of an entity in the SBAB Group if the loan relates to a property (Sw. fast egendom) or by a pledge in favour of an entity in the SBAB Group if the loan relates to a tenant-owners' right. In certain cases, the Eligible Green Loans are also secured by a share pledge or through a guarantee



2

Project Evaluation and Selection

- SBAB Eligible Green Loans will be **selected and approved by the SBAB Group's Sustainable Bond Committee** consisting of a representative from Treasury, Head of Corporate Clients & Tenant-owners' Associations (corporate lending), Head of Customer Experience (private lending), Head of Property Valuation, and sustainability strategists from the corporate and private lending divisions based on the eligibility criteria and SBAB's applicable credit procedures



3 Management of Proceeds

Portfolio approach

- The net proceeds received by the SBAB Group through the issuance of SBAB Group Green Bonds will be managed by the SBAB Group in a **portfolio approach**. The net proceeds from an SBAB Group Green Bond will thus be allocated to a portfolio of Eligible Green Loans (selected in accordance with the process set out under “Use of proceeds”) where an Eligible Green Loan may be held by either SBAB or SCBC*

Identification of loans

- The SBAB Group has assigned specific series and identification numbers to its SBAB Group Green Bonds separating them from the companies’ other bonds in issue. Similarly, each loan that fulfils the eligibility criteria will be marked and thus designated as an Eligible Green Loan

Unallocated proceeds

- The SBAB Group will hold or invest any unallocated SBAB Group Green Bond net proceeds, at its own discretion, in its liquidity portfolio managed by SBAB in accordance with SBAB’s liquidity portfolio policy. Details of the composition of the liquidity portfolio are on a yearly basis set out in the SBAB Group’s consolidated annual report.

*It is the SBAB Group’s intention to designate sufficient Eligible Green Loans to the group portfolio of Eligible Green Loans to ensure that the size thereof always exceeds the total balance of all outstanding SBAB Group Green Bonds.



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